

NORTH CAROLINA AUCTIONEER LICENSING BOARD

**Financial Statements for the
Years Ended June 30, 2014 and 2013 and
Independent Auditor's Report**

NORTH CAROLINA AUCTIONEER LICENSING BOARD

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Independent Auditor's Report**

BOARD MEMBERS (2013-2014)

Daniel H. Devane, Chairperson

Randy B. Lee, Vice Chairperson

Moses Gallion

Deborah Johnson

Edward B. Webb

EXECUTIVE OFFICER

Teresa L. Watson, Executive Director

LEGAL COUNSEL

Garris Neil Yarborough, Attorney At-Law

Yarborough, Winters & Neville, P.A.

NORTH CAROLINA AUCTIONEER LICENSING BOARD

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NORTH CAROLINA AUCTIONEER LICENSING BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the years ended June 30, 2014 and 2013. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2014, the Board's net position for its Operating Fund increased by \$60,510, or 8.3%, due primarily to a consistent recurrence of revenues exceeding expenses. During 2013, the Board's net position for its Operating Fund increased by \$86,033, or 13.5%, due primarily to a consistent recurrence of revenues exceeding expenses. During 2014, the Board's net position for its Recovery Fund increased by \$1,431, or .4%, a lesser than usual increase, due primarily to the fact that the recovery fund paid a significant claim during the 2014 fiscal year. During 2013, the Board's net position for its Recovery Fund increased by \$9,081, or 2.5%, due to the fact that no recovery fund claims were awarded and paid during the 2013 fiscal year.

During 2014, the Board's operating revenues for its Operating Fund decreased by \$6,626, or 1.6%, due primarily to a decrease in auctioneer licenses fees. During 2013, the Board's operating revenues for its Operating Fund decreased by \$6,180, or 1.5%, due primarily to a decrease in examination fees, late fees, and application fees. During 2014, the Board's operating revenues for its Recovery Fund increased by \$2,329, or 31.3%, due to the recovery of expenses pursuant to a consent order from a reinstated licensee during the 2014 fiscal year. During 2013, the Board's operating revenues for its Recovery Fund decreased by \$2,900, or 28.0%, due to a decrease in recovery fees collected.

During 2014, the Board's non-operating revenues (net of non-operating expense) for its Operating Fund increased by \$3,572, or 19.2%, due primarily to a decrease in loan interest expense for the amortizing building loan of the Board. During 2013, the Board's non-operating revenues (net of non-operating expense) for its Operating Fund decreased by \$175, or 1.0%, due to a decrease in investment return rates. During 2014, the Board's non-operating revenues for its Recovery Fund increased by \$21, or 1.3%, due to a slight increase in investment return rates. During 2013, the Board's non-operating revenues for its Recovery Fund decreased by \$1,011, or 38.3%, due to a decrease in investment return rates.

During 2014, the Board's operating expenses for its Operating Fund increased by \$22,469, or 7.2%, due primarily to an increase in computer support services and continuing education costs for licensees. During 2013, the Board's operating expenses for its Operating Fund increased by \$19,845, or 6.8%, due primarily to an increase in salaries and board member expenses. During 2014, the Board's operating expenses for its Recovery Fund increased by \$10,000, or 100%, due to the fact that the recovery fund awarded and paid claims during the 2014 fiscal year. During 2013, the Board's operating expenses for its Recovery Fund decreased by \$20,000, or 100%, due to the fact that the recovery fund paid no claims during the 2013 fiscal year.

NORTH CAROLINA AUCTIONEER LICENSING BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

This financial report consists of two sections: Management's Discussion and Analysis and the Financial Statements. The Board has no other supplementary information required by GASB 34. The Financial Statements also include notes to the financial statements that provide detail of the information included in the financial statements.

Basic Financial Statements

The financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Board. The Statements of Net Position present the current and long-term portions of assets and liabilities separately. The Statements of Revenues, Expenses, and Changes in Net Position present information on how the Board's assets changed as a result of its operations. The Statements of Cash Flows present information on how the Board's cash changed as a result of its financial activities.

Condensed Financial Information

The following presents condensed financial information on the operations of the Board:

	Current Year as of and for the year ended June 30, 2014	Current Year as of and for the year ended June 30, 2014	Current Year as of and for the year ended June 30, 2013	Current Year as of and for the year ended June 30, 2013
	Operating Fund	Recovery Fund	Operating Fund	Recovery Fund
Current assets	\$ 689,863	\$ 371,728	\$ 774,468	\$ 370,297
Capital assets	686,380		699,758	
Total assets	<u>\$ 1,376,243</u>	<u>\$ 371,728</u>	<u>\$ 1,474,226</u>	<u>\$ 370,297</u>
Current liabilities	\$ 291,468	\$	\$ 315,685	\$
Long-term liabilities	299,058		433,334	
Total liabilities	<u>\$ 590,526</u>	<u>\$ 0</u>	<u>\$ 749,019</u>	<u>\$ 0</u>
Net investment in capital assets	\$ 369,703	\$	\$ 252,518	\$
Restricted - expendable		171,728		170,297
Restricted - nonexpendable		200,000		200,000
Unrestricted	416,014		472,689	
Total net position	<u>\$ 785,717</u>	<u>\$ 371,728</u>	<u>\$ 725,207</u>	<u>\$ 370,297</u>
Operating revenues	\$ 409,071	\$ 9,779	\$ 415,697	\$ 7,450
Operating expenses	(333,559)	(10,000)	(311,090)	
Operating income	\$ 75,512	\$ (221)	\$ 104,607	\$ 7,450
Non-operating revenues	(15,002)	1,652	(18,574)	1,631
Change in net position	<u>\$ 60,510</u>	<u>\$ 1,431</u>	<u>\$ 86,033</u>	<u>\$ 9,081</u>

NORTH CAROLINA AUCTIONEER LICENSING BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Events Affecting Future Operations

The Board has indicated it has no significant events affecting future operations which are reportable pursuant to GASB 34.

Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact: North Carolina Auctioneer Licensing Board, 108 Ber Creek Drive, Fuquay-Varina, North Carolina 27526.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
North Carolina Auctioneer Licensing Board
Fuquay-Varina, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements as listed in the table of contents of the North Carolina Auctioneer Licensing Board (the "Board"), an independent state agency which is a nonmajor enterprise fund of the primary government of the State of North Carolina, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina Auctioneer Licensing Board as of June 30, 2014 and 2013, and the results of its operations, changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audits of the basic financial statements. I do not express an opinion or provide any assurance on the supplementary information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance thereon.



Shelton L. Hawley, C.P.A., P.A.

Angier, NC

September 30, 2014

NORTH CAROLINA AUCTIONEER LICENSING BOARD
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	2014		2013	
	Proprietary - Enterprise Funds		Proprietary - Enterprise Funds	
	Operating Fund	Recovery Fund	Operating Fund	Recovery Fund
ASSETS				
Current assets:				
Cash in State Treasurer (Note 2)	\$ 689,508	\$ 371,592	\$ 774,128	\$ 370,178
Accrued interest receivable	226	136	211	119
Prepaid expense -office equipment lease	129		129	
Total current assets	689,863	371,728	774,468	370,297
Capital assets (Note 1)				
Land and building	680,236		691,786	
Furniture and office equipment	6,144		7,972	
Total capital assets - net of depreciation	686,380	0	699,758	0
TOTAL ASSETS	\$ 1,376,243	\$ 371,728	\$ 1,474,226	\$ 370,297
LIABILITIES AND NET POSITION				
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 7,449	\$	\$ 8,557	\$
Due to other state agencies	920		693	
Note payable - current portion (Note 5)	34,757		28,636	
Accrued vacation - current portion (Note 1)	2,561		2,599	
Unearned revenue (Note 3)	243,250		273,190	
Other liabilities	2,531		2,010	
Total current liabilities	291,468	0	315,685	0
Long-term debt:				
Note payable - long term portion (Note 5)	281,920		418,604	
Accrued vacation - long-term portion (Note 1)	17,138		14,730	
Total long-term debt	299,058	0	433,334	0
TOTAL LIABILITIES	590,526	0	749,019	0

See notes to financial statements.

NORTH CAROLINA AUCTIONEER LICENSING BOARD
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	2014		2013	
	Proprietary - Enterprise Funds		Proprietary - Enterprise Funds	
	Operating Fund	Recovery Fund	Operating Fund	Recovery Fund
NET POSITION (NOTE 4):				
Net investment in capital assets	369,703		252,518	
Restricted net position - expendable		171,728		170,297
Restricted net position - nonexpendable		200,000		200,000
Unrestricted net position	416,014		472,689	
TOTAL NET POSITION	785,717	371,728	725,207	370,297
TOTAL LIABILITIES AND NET POSITION	\$ 1,376,243	\$ 371,728	\$ 1,474,226	\$ 370,297

See notes to financial statements.

NORTH CAROLINA AUCTIONEER LICENSING BOARD
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2014 AND 2013

	Year Ended June 30,			
	2014		2013	
	Proprietary - Enterprise Funds		Proprietary - Enterprise Funds	
	Operating Fund	Recovery Fund	Operating Fund	Recovery Fund
OPERATING REVENUES:				
Auctioneer licenses	\$ 308,800	\$	\$ 315,650	\$
Apprentice auctioneer licenses	1,100		1,700	
Business licenses	70,200		71,700	
Examination fees	5,000		5,750	
Late fees and civil penalties (net of civil penalty transfers)	16,450		13,250	
Application fees (net of SBI fees)	7,400		7,400	
Recovery fund fees (net of civil penalty transfers)		7,700		7,450
Other income	121	2,079	247	
Total operating revenues	<u>\$ 409,071</u>	<u>\$ 9,779</u>	<u>\$ 415,697</u>	<u>\$ 7,450</u>
OPERATING EXPENSES:				
Salaries (included accumulated leave)	\$ 109,983	\$	\$ 108,388	\$
Temporary wages	26,934		26,509	
Social security/medicare contributions	10,475		10,319	
Unemployment contributions	709			
Retirement contributions (Note 7)	23,852		23,502	
Employee insurance	10,569		10,384	
Computer support services	13,090		2,825	
Other contracted services - building maintenance costs	7,762		7,906	
Board members expenses - travel and other	2,160		4,156	
Board members expenses - per diem	5,900		6,700	
Conference registration fees	90		175	
Staff travel expenses	126		552	
Telephone and internet	4,973		5,093	
Utilities	4,659		4,506	
Depreciation	13,378		14,177	
Machine rental and maintenance (Note 6)	2,097		2,448	
Office supplies and expenses	2,365		3,250	

See notes to financial statements.

NORTH CAROLINA AUCTIONEER LICENSING BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	Year Ended June 30,			
	2014		2013	
	Proprietary - Enterprise Funds		Proprietary - Enterprise Funds	
	Operating Fund	Recovery Fund	Operating Fund	Recovery Fund
OPERATING EXPENSES				
(CONTINUED):				
Postage and delivery	7,081		5,023	
Insurance	1,167		1,135	
Dues and subscriptions	1,566		1,541	
Legal, auditing, accounting and other professional fees	42,537		41,195	
Continuing education costs for licensees	36,748		22,724	
Printing	3,580		6,435	
Recovery fund claims paid		10,000		
Miscellaneous expenses	1,758		2,147	
Total operating expenses	\$ 333,559	\$ 10,000	\$ 311,090	\$ 0
Operating income	75,512	(221)	104,607	7,450
NON-OPERATING INCOME				
(EXPENSES):				
Gain (loss) on disposition of capital assets			(303)	
Interest income	3,002	1,652	2,942	1,631
Interest expense on loan	(18,004)		(21,213)	
Total net non-operating revenues	\$ (15,002)	\$ 1,652	\$ (18,574)	\$ 1,631
Change in net position	\$ 60,510	1,431	\$ 86,033	\$ 9,081
Net position - beginning of year	725,207	370,297	639,174	361,216
Net position - end of year	\$ 785,717	\$ 371,728	\$ 725,207	\$ 370,297

See notes to financial statements.

NORTH CAROLINA AUCTIONEER LICENSING BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	Year Ended June 30,			
	2014		2013	
	Proprietary - Enterprise Funds		Proprietary - Enterprise Funds	
	Operating Fund	Recovery Fund	Operating Fund	Recovery Fund
Cash flows from operating activities:				
Cash received from fees	\$ 379,010	\$ 9,779	\$ 393,812	\$ 7,450
Cash received from other operating revenues	121		247	
Cash payments to employees for services (including benefits)	(179,631)		(178,443)	
Cash payments for operating expenses	(138,540)	(10,000)	(117,344)	(20,000)
Net cash provided (used) by operating activities	\$ 60,960	\$ (221)	\$ 98,272	\$ (12,550)
Cash flows from capital and related financing activities:				
Proceeds (payments) from (on) note payable	\$ (130,563)	\$	\$ (27,354)	\$
Interest paid on loan	(18,004)		(21,213)	
Acquisition of capital assets			(6,786)	
Net cash used in capital and related financing activities:	\$ (148,567)	\$ 0	\$ (55,353)	\$ 0
Cash flows from investing activities:				
Interest on investments	\$ 2,987	\$ 1,635	\$ 3,009	\$ 1,688
Net cash provided (used) by investing activities	\$ 2,987	\$ 1,635	\$ 3,009	\$ 1,688
Net increase in cash	\$ (84,620)	\$ 1,414	\$ 45,928	\$ (10,862)
Cash - beginning of year	774,128	370,178	728,200	381,040
Cash - end of year	\$ 689,508	\$ 371,592	\$ 774,128	\$ 370,178

See notes to financial statements.

NORTH CAROLINA AUCTIONEER LICENSING BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	Year Ended June 30,			
	2014		2013	
	Proprietary - Enterprise Funds		Proprietary - Enterprise Funds	
	Operating Fund	Recovery Fund	Operating Fund	Recovery Fund
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 75,512	\$ (221)	\$ 104,607	\$ 7,450
Adjustments to reconcile operating income To net cash provided by operating activities				
Depreciation	\$ 13,378	\$	\$ 14,177	\$
Changes in assets and liabilities:				
Prepaid expense			(31)	
Accounts payable	(881)		498	(20,000)
Unearned revenue	(29,940)		(21,638)	
Other accrued liabilities	2,891		659	
Total adjustments	\$ (14,552)	\$ 0	\$ (6,335)	\$ (20,000)
Net cash provided (used) by operating activities	<u>\$ 60,960</u>	<u>\$ (221)</u>	<u>\$ 98,272</u>	<u>\$ (12,550)</u>
Supplemental Disclosure of Cash Flow Information				
Interest paid on note payable	<u>\$ 18,004</u>	<u>\$ 0</u>	<u>\$ 21,213</u>	<u>\$ 0</u>

See notes to financial statements.

NORTH CAROLINA AUCTIONEER LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization

The North Carolina Auctioneer Licensing Board (the "Board") is an independent State agency. It is an occupational licensing board and is authorized by Chapter 85B of the North Carolina General Statutes. The Board is composed of five members who are appointed by the Governor of the State of North Carolina. The Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR).

The Board is established to maintain minimum standards for services provided by auctioneers.

The Board's operations are financed with self-generated revenues from fees charged to examinees and licensees.

On July 1, 1973, pursuant to Section 85B of the General Statutes of the State of North Carolina the Board was created. The Board began operations through its Operating Fund in September 1973. The revenues and expenditures for the Operating Fund are shown as a proprietary (enterprise) fund.

On July 1, 1983, pursuant to North Carolina General Statute 85B-4.1, the Auctioneer Recovery Fund (the "Recovery Fund") of the North Carolina Auctioneer Licensing Board was established. The North Carolina Auctioneer Licensing Board is responsible for the administration and maintenance of the Recovery Fund pursuant to the provisions thereof. The Board, at its discretion, may use contents of the Recovery Fund in excess of \$100,000 (\$200,000 effective June, 1999) for certain purposes specified in the statute. The Board transferred no monies from the Recovery Fund to the Operating Fund for the year ended June 30, 2014. The Board transferred no monies from the Recovery Fund to the Operating Fund for the year ended June 30, 2013. The Board has the authority to assess each licensee at renewal in an amount up to fifty (\$50) for the purpose of replenishing the Fund. The Board also monitors the Fund to satisfy judgments by aggrieved persons who have suffered a direct monetary loss by reason of certain acts committed by any person licensed under General Statute Chapter 85B. The revenues and expenditures for the Recovery Fund are shown as a proprietary (enterprise) fund. The Recovery Fund is a restricted fund with expendable and nonexpendable components.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

All activities of the Board are accounted for within two proprietary (enterprise) funds as described in the foregoing section above. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

NORTH CAROLINA AUCTIONEER LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible.

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

Basis of Accounting

In accordance with *Statement of Governmental Accounting Standards 34 (as amended, if applicable)*, the Board herewith presents Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

The Statements of Revenues, Expenses, and Changes in Net Position demonstrate the degree to which the direct expenses of the Board are offset by examination and license fees.

The financial statements report all activities of the North Carolina Auctioneer Licensing Board using the economic resource measurement focus and the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized when incurred, if measurable, regardless of the timing of cash flows.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of license fees. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Non-operating revenues and expenses consist of those revenues and expenses that are related to investing, capital, and non-capital financing activities; and are classified as non-operating in the financial statements.

Cash in State Treasurer

This classification consists of funds deposited by the Board with the cash accounts of the North Carolina State Treasurer. Because these funds are immediately available for expenditure they, are considered a cash equivalent.

Fair Value of Financial Instruments

The carrying amounts of the Board's financial instruments approximate their fair value.

Prepaid Expenses

This classification includes expenses which were prepaid at year end for an office equipment lease.

NORTH CAROLINA AUCTIONEER LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Vacation and Sick Leave

Board employees may accumulate up to thirty days earned vacation and such leave is fully vested when earned. On December 31st, accrued vacation in excess of the limits are transferred and added to sick leave balances. Accumulated earned vacation payable at June 30, 2014 and 2013, consisted of the following:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current portion	\$ 2,561	\$ 2,599
Long-term portion	<u>17,138</u>	<u>14,730</u>
Total	<u>\$ 19,699</u>	<u>\$ 17,329</u>

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Since the Board has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made. The Board has a contingent liability for sick leave in the amount of \$65,675 at June 30, 2014 and \$64,453 at June 30, 2013.

Capital Assets

Capital assets are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board capitalizes assets that have a value or cost of \$500 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, generally estimated as follows: buildings, 50 years and office furniture and equipment, 5 to 7 years. Summaries follow:

	<u>Cost</u> <u>06-30-13</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Cost</u> <u>06-30-14</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u> <u>Amount</u>
Land and Building	\$ 741,361	\$ -	\$ -	\$ 741,361	\$ 61,125	\$ 680,236
Furniture/Equipment	<u>81,813</u>	<u>-</u>	<u>-</u>	<u>81,813</u>	<u>75,669</u>	<u>6,144</u>
	<u>\$ 823,174</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 823,174</u>	<u>\$ 136,794</u>	<u>\$ 686,380</u>

	<u>Cost</u> <u>06-30-12</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Cost</u> <u>06-30-13</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u> <u>Amount</u>
Land and Building	\$ 741,361	\$ -	\$ -	\$ 741,361	\$ 49,575	\$ 691,786
Furniture/Equipment	<u>75,364</u>	<u>6,786</u>	<u>337</u>	<u>81,813</u>	<u>73,841</u>	<u>7,972</u>
	<u>\$ 816,725</u>	<u>\$ 6,786</u>	<u>\$ 337</u>	<u>\$ 823,174</u>	<u>\$ 123,416</u>	<u>\$ 699,758</u>

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in earnings for the period. Depreciation expense was \$13,378 for the fiscal year ended June 30, 2014 and \$14,177 for the year ended June 30, 2013.

NORTH CAROLINA AUCTIONEER LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Income Taxes

The Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is exempt from federal and state income taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Deposits

Cash in State Treasurer

All of the Board's deposits are either insured, or are collateralized under the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's escrow agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held in the Board's name. The amount of pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. Custodial credit risk is the risk that in the event of a bank failure, the Board's funds may not be returned to it. The Board does not have a policy regarding custodial credit risk for its deposits.

Deposit and investments risks associated with the State Treasurer's Deposits and Investments are included in the State of North Carolina's Comprehensive Annual Financial Report. An electronic version of the financial report is available by accessing the North Carolina Office of the State Controller's internet home page, www.osc.state.nc.us, and clicking on "Financial Reports", or calling the State Controller's Financial Reporting Section at (919) 707-0500.

At June 30, 2014, the Board's deposits with the State Treasurer had a carrying value and bank balance of \$689,508 for the Operating Fund, which was covered by collateral held under the Pooling Method, and a carrying value and a bank balance of \$371,592 for the Recovery Fund, which was covered by collateral held under the Pooling Method. At June 30, 2013, the Board's deposits with the State Treasurer had a carrying value and bank balance of \$774,128 for the Operating Fund, which was covered by collateral held under the Pooling Method, and a carrying value and a bank balance of \$370,178 for the Recovery Fund, which was covered by collateral held under the Pooling Method.

Note 3 - Unearned Revenue

The Board's fees are assessed and collected on a fiscal year basis, which corresponds with the Board's accounting period. Licenses are renewed for a period of one fiscal year. License renewal fees received in the latter part of the fiscal year are unearned and recognized as revenue over the one year period to which they relate.

NORTH CAROLINA AUCTIONEER LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 4 - Net Position

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any loan proceeds that are attributable to the acquisition, construction, or improvement of those capital assets.

Restricted net position - expendable and nonexpendable - This component of net position consists of net position which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. The Recovery Fund is a restricted fund with expendable and nonexpendable components.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of *restricted or net investment in capital assets*.

Note 5 - Note Payable

The Board obtained a construction loan in May 2008 in the amount of \$595,000 to fund the construction of an office building on land which it had previously purchased (without incurring debt). The initial note was in the amount of \$595,000. Loan proceeds were deposited to a construction loan bank account with the lending financial institution in the name of the Board, earning interest at the lending institution's public fund money market rate. The note payable carries a fixed interest rate of 4.59%. Two payments, totaling \$27,573, were made in November 2008 and May 2009, then upon completion of the building, the remaining funds on deposit were applied to the note payable balance. Monthly payments in the amount of \$4,047 began in November 2009 and were scheduled to continue to maturity in May 2028. A lump sum payment of \$100,000 was made in January 2014, which altered the amortization and maturity date. The note is now scheduled to mature in April 2022. The loan is secured by the land and building. The estimated future principal amounts due at June 30, 2014 are as follows:

Years Ended June 30,

2015	\$	34,757
2016		36,386
2017		38,092
2018		39,878
2019		41,747
2020 and beyond		125,817
Total	\$	<u>316,677</u>

Changes in long term debt are as follows:

	Loan Balance 06-30-13	Increases	Decreases	Loan Balance 06-30-14	Current Portion
Note Payable	\$ 447,240	\$	\$ 130,563	\$ 316,677	\$ 34,757

	Loan Balance 06-30-12	Increases	Decreases	Loan Balance 06-30-13	Current Portion
Note Payable	\$ 474,594	\$	\$ 27,354	\$ 447,240	\$ 28,636

NORTH CAROLINA AUCTIONEER LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 6 - Operating Leases

The Board leases office equipment under operating leases. Total rent expense charged to operations under lease agreements was \$1,416 in 2014 and \$1,214 in 2013.

Rental commitments under noncancellable operating leases at June 30, 2014 are as follows:

Year Ended June 30,	
2015	\$ 1,266
2016	317
	<u>\$ 1,583</u>

Note 7 - Pension Plans

In prior years and during a portion of the year ended June 30, 2001, the Board did not participate in the Teachers' and State Employees' Retirement System of North Carolina. The Board was ineligible to participate in the State Retirement System on behalf of employees and instead purchased an annual premium annuity contract on behalf of its employees. On October 1, 2000, pursuant to General Statute 135-1(b), the Board elected back into the State Retirement System on behalf of its employees and terminated the annual premium annuity contract. Additionally, participants in the Teachers' and State Employees' Retirement System participate in the Supplemental Retirement Income Plan of North Carolina in accordance with Internal Revenue Code Section 401(k). The Board assumes no liability for retiree benefits provided by these retirement plans other than their required contribution.

Teachers' and State Employees' Retirement System of North Carolina

The state-wide Teachers' and State Employees' Retirement System of North Carolina (System) is a multiple-employer, cost-sharing, defined benefit pension plan administered by the North Carolina State Treasurer. Two employees are covered under the plan, one management employee and one clerical staff employee. The plan is administered by the State of North Carolina, and information concerning funding, authorization, amendments and other information concerning the plan are included in the State of North Carolina Comprehensive Annual Financial Report (see below). The Board's payroll for employees covered by the System for the year ended June 30, 2014 was \$109,983; the Board's total payroll was \$136,917. The Board's payroll for employees covered by the System for the year ended June 30, 2013 was \$108,388; the Board's total payroll was \$134,897. The Board's payroll for employees covered by the System for the year ended June 30, 2012 was \$100,777; the Board's total payroll was \$126,896.

After five years of creditable service, members of the System qualify for a vested deferred benefit. Employees who retire on or after age 65 and complete 5 years of membership service, reach age 60 within 25 years of membership service, or complete 30 years of creditable service receive a retirement allowance of 1.81% of an average final compensation (based on the 4 consecutive years that produce the highest average) multiplied by the number of years of creditable service. Employees may retire with reduced benefits if they reach age 50 with 20 years of creditable service or reach age 60 with 5 years of creditable service.

Benefit and contribution provisions for the System are established by North Carolina General Statutes 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations.

NORTH CAROLINA AUCTIONEER LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 7 - Pension Plans (Continued)

The actuarially determined contribution requirement for the year ended June 30, 2014 was \$22,529, which consisted of \$16,217 from the Board and \$6,312 from employees. These contributions represented 14.69% and 6.0% of covered payroll, respectively. The contribution requirement for the year 2013 was \$21,879, which consisted of \$15,567 from the Board and \$6,312 from employees. These contributions represented 14.23% and 6.0% of covered payroll, respectively. The contribution requirement for the year 2012 was \$19,610, which consisted of \$13,610 from the Board and \$6,000 from employees. These contributions represented 13.12% and 6.0% of covered payroll, respectively.

The System's financial information and other required disclosures are included in the State of North Carolina Comprehensive Annual Financial Report. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page, www.osc.state.nc.us, and clicking on Financial Reports, or calling the State Controller's Financial Reporting Section at (919) 707-0500.

IRC 401(k) Plan

Effective January 1, 1985, Chapter 135, Article 5 of the North Carolina General Statutes authorized the creation of the Supplemental Retirement Income Plan of North Carolina in accordance with Internal Revenue Code Section 401(k). All employees who are members of the Teachers' and State Employees' Retirement System of North Carolina are eligible for enrollment in this plan. Members of this plan may receive their benefits upon retirement, disability, termination, hardship, or death. Administration costs are paid from the plan. The Board elected into the plan on October 1, 2000 at the time it elected back into the State Retirement System. Two employees are covered under the plan, one management employee and one clerical staff employee. Only the Board contributes to the plan, and only the Board has the authority to authorize and amend the plan (pursuant to the provisions of the Supplemental Retirement Income Plan of North Carolina). The Board's contribution to the plan was \$7,635 for the year ended June 30, 2014, \$7,935 for the year ended June 30, 2013, and \$7,185 for the year ended June 30, 2012. There were no voluntary contributions to the plan by employees for the years ended June 30, 2014, 2013 and 2012.

Note 8 - Postemployment Benefits Other Than Pensions

The Board participates in state administered programs which provide postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teacher's and State Employees' Retirement System. These benefits were established by Chapter 135 of the North Carolina General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefits for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The Board's contribution for postemployment health care benefits is included in its retirement contribution to the Teachers' and State Employees' Retirement System.

The Board participates in the Disability Income Plan of North Carolina (DIPNC) established by Chapter 135 of the North Carolina General Statutes. DIPNC provides short-term and long-term disability to eligible members of the Teachers' and State Employees' Retirement System. Long-term disability income benefits are advanced on an actuarially determined basis using the one-year term cost method. The Board's contribution for postemployment disability benefits is included in its retirement contribution to the Teachers' and State Employees' Retirement System.

The Board assumes no liability for retiree health care or disability benefits provided by these programs other than its required contribution. Additional detailed information about these programs can be located in the State of North Carolina's Comprehensive Annual Financial Report.

NORTH CAROLINA AUCTIONEER LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 9 - Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled by participation in state-administered risk programs and self retention of certain risks. Additionally, the Board protects itself from exposure to potential loss through the purchase of commercial insurance coverage.

Note 10 - Contingencies

Disciplinary Hearings

The Board is involved in a number of disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the years under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the years herein ended.

Recovery Fund Claims

The Recovery Fund of the North Carolina Auctioneer Licensing Board is established to provide relief for aggrieved persons who have suffered monetary loss as a direct result of the conversion of funds or property or other fraudulent acts or conduct by a licensed auctioneer, apprentice auctioneer, or auction firm, but subject to the limitations of North Carolina General Statute 85B-4. There were no known pending claims or awarded but unpaid/non-accrued claims payable at June 30, 2014. There were no known pending claims or awarded but unpaid/non-accrued claims payable at June 30, 2013. Accordingly, in the opinion of management of the Board, the resulting liabilities of such claims do not materially affect the Board's operations, changes in financial position, or cash flows for the years herein ended.

Note 11- Subsequent Events

Subsequent events have been evaluated through September 30, 2014, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

This audit required 75 audit hours at a cost of \$6,295.